

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL NOTE**

**SB 2406**

January 7, 2010

**SUMMARY OF BILL:** Authorizes any employee who has five or more years of credible service in the optional retirement program (ORP) as of January 1, 2011, the option of transferring membership from the ORP to the Tennessee Consolidated Retirement System (TCRS) under specified conditions. These conditions include, but are not limited to, a payment made by the employee to the TCRS in an amount equal to the employee's account balances in the ORP, or a sum equal to 12.65 percent of the employee's earnable compensation during the period of the employee's membership in the ORP, whichever is greater.

**ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures – Exceeds \$162,000/One-Time**

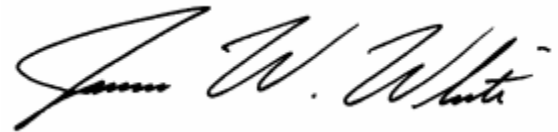
Assumptions:

- Only employees who will benefit from such transfers will participate.
- The contribution rate of 12.65 percent includes an adjustment to cover adverse selection of prior service, sick leave, and administrative costs.
- ORP participants have additional years of employment prior to retirement.
- Pursuant to Section 1, subsection 2 of this proposed legislation, all transfer elections must be made prior to December 31, 2011. Given there is an established deadline for transfer requests, ORP participants would be afforded a one-time opportunity to transfer from the ORP plan to the TCRS plan. Therefore, any fiscal impact resulting from this bill is considered a one-time impact.
- According to the Department of the Treasury, this proposed legislation will increase the accrued liability to TCRS.
- The Department indicates awareness of at least three employees seeking transfers that this bill would authorize. The three employees would immediately become eligible for retirement. Therefore, the three employees would benefit from passage of the legislation.
- According to the Department, the increased liability related to these three employees is approximately \$805,000, while the sum of estimated payments that would be made to TCRS from the three employees would be approximately \$643,000. Therefore, the increased liability to TCRS for the three employees is estimated to be \$162,000 (\$805,000 - \$643,000 = \$162,000).

- It is likely more ORP participants would desire transfers to the TCRS plan if this bill passes. However, this number is unknown. Therefore, the one-time increase to state expenditures is estimated to exceed \$162,000.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

/rnc